

# ***WWW TRADING SYSTEM eZine***

**Issue - 4**

**[www.WebTradingSystem.com](http://www.WebTradingSystem.com)**

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## **Contents:**

- 1. FOREX Sectors.**
- 2. WWW TRADING SYSTEM COMMENTS: Big Market Movements.**
- 3. April 2003 Trading Results of WWW TRADING SYSTEM.**

## **1. FOREX Sectors.**

### **Spot Market.**

**About 37% of all trades on Forex are made on spot trading. This market can be characterized by high volatility and profitability (though the losses are also great). The greatest trading volumes on this market are made by commercial and investment banks; they are followed by insurance companies and corporative traders. However, individual traders can and do trade here as well.**

**Spot market transaction in its nature is a bilateral contract when the parties exchange a certain amount of one currency for another at fixed rates. The transaction should be done within 2 working days since the date of the making this contract. The Canadian dollar goes as an exception from the rule; this currency is delivered on the next working day.**

**The word “spot” (or cash currency exchange) does not mean that the transaction takes place in the day when then the contract is made. The term of two days for each spot transaction to be made was set up long before the technological outburst in telecommunication sphere. These two days were necessary for completing all the details of the contract. Even now, in the times of modern Forex, it seems rather unpromising to make the time for calculations limits**

**shorter: mistakes still can be made by contractor and these mistakes should be taken into consideration.**

**The biggest volumes on spot market are traded on major currencies: the US dollar, the Swiss franc, the British pound, the Japanese yen, and euro. Some other currencies do not give the mentioned trading volumes, but they are traded quite often (for example the Canadian dollar and the Australian dollar). The same can be said about the currencies' crosses, a non-dollar instrument through which foreign currencies are quoted against other foreign currencies, such as euro against Japanese yen.**

**Spot market is characterized by the high level of volatility and liquidity. During one trading day (24 hours) the rate of EUR/USD pair can change 18,000 times; several seconds can give 100-200 pips if specific news has come to the market.**

## **Forward Market.**

**Two tools are used on forward Forex market. They are forward outright deals and exchange deals or swaps. A swap deal is a combination of a spot deal and a forward outright deal.**

**Forward deals were estimated as 57% of the currency market. If we take into consideration that the daily turnover of currency market is 1.5 trillion USD, then it is obvious that forward deals are “worth” about 900 billion USD per day.**

**Forward deals can last from 3 days to 3 years. Any deal can be called a forward settlement if the duration of its contract is longer than the one of the spot deal. The expiration date of the contract should be a working day when these currencies can be traded.**

**Forward market is a decentralized one; its participants all over the world can work (using/not using the help of brokerage companies) irrespectively of the deal type.**

**Forward price is made up of two elements: exchange rate and forward spread. Exchange rate plays major role in setting up the forward price. Forward spreads (as well as spreads on spot market) are calculated from the difference between bid and ask prices; this difference is measured in points or pips. Spread depends upon the term of forward contract, which in its own turn influences the forward price.**

## **2. WWW TRADING SYSTEM COMMENTS: Big Market Movements.**

**“Do not open the position if there are more than 100 pips between the opening price and the level of stop loss order. This rule is applied to the big market movements which take place during a very short time interval.”**

**(WWW TRADING SYSTEM)**

**The market is often faced with situation when one currency can change its value for 50-100 pips during one hour. These changes can be provoked by sensational news or unexpected figures in general indices of the market.**

**As WWW TRADING SYSTEM is based on technical analysis, we will not concentrate the attention on the factors which provoked big market movements. Not the reason of changes, but the fact of changes matters for technical analysis.**

**I suggest the following rules of trading behavior in this situation:**

**1. You should not enter the market when it has “big market movement” period. The market has already changed; this moment was missed. It is rather difficult to succeed in**

**making great profits on this movement, when other traders have already started doing the same.**

**2. Most of the “short-term” traders have gained profits on a big market movement, and the currency can change its trend because of it. This may result in serious losses, if you try to enter the market and trade this position.**

**3. The problems with stop-loss orders are frequent in this situation. As the market movement is big, the order should be placed far from the current price; this is pregnant with great risk. If the order is placed close to the current price, this order will be reached very soon (do not forget that we analyze big market movements).**

**The best way out of this situation is NOT to enter the market at the moments of big markets movements. Mostly they do not last long, and soon you will be able to open the position after the new signal of the trading system.**

### **3. April 2003 Trading Results of WWW TRADING SYSTEM.**

**Trade period: April 2003.**

**Contract size (lot): \$100,000.**

**Initial balance: \$40,031.62.**

**Final balance: \$66,137.47.**

**Profit: \$26,105.85 (65.21%).**

**Average profit for 1 lot: 79.08 pips.**

**Average loss for 1 lot: 29.00 pips.**

**Profitable trades: 13 (43.33%).**

**Unprofitable trades: 17 (56.67%).**



## Trade Table

Open	Price	Date	Close	Price	Date	Remarks	Lots	Balance
Buy	1.3557	04.01.03	Sell	1.3540	04.01.03		7	39,153.84
Buy	1.3569	04.01.03	Sell	1.3528	04.01.03		6	37,038.73
Sell	1.3527	04.01.03	Buy	1.3585	04.02.03		6	34,477.08
Buy	1.3581	04.02.03	Sell	1.3790	04.03.03		8	43,710.56
Sell	1.3792	04.03.03	Buy	1.3822	04.04.03		7	41,974.20
Buy	1.3840	04.04.03	Sell	1.3983	04.07.03		9	49,206.86
Sell	1.3982	04.07.03	Buy	1.3937	04.08.03		9	52,112.79
Buy	1.3937	04.08.03	Sell	1.3903	04.08.03		9	49,917.20
Sell	1.3876	04.08.03	Buy	1.3876	04.09.03		9	51,408.98
Buy	1.3875	04.09.03	Sell	1.3807	04.09.03	stop order	8	46,998.17
Sell	1.3800	04.09.03	Buy	1.3850	04.10.03	stop order	8	44,110.09
Buy	1.3845	04.10.03	Sell	1.3910	04.14.03		8	47,865.96
Sell	1.3910	04.14.03	Buy	1.3952	04.14.03		8	45,457.70
Sell	1.3923	04.14.03	Buy	1.3912	04.15.03		8	46,090.25
Buy	1.3914	04.15.03	Sell	1.3912	04.15.03		8	45,975.25
Sell	1.3908	04.15.03	Buy	1.3925	04.15.03		8	44,998.59
Buy	1.3929	04.16.03	Sell	1.3909	04.16.03		8	43,849.91
Sell	1.3910	04.16.03	Buy	1.3752	04.17.03		9	53,041.31
Buy	1.3752	04.17.03	Sell	1.3783	04.18.03		10	55,070.10
Sell	1.3784	04.21.03	Buy	1.3844	04.21.03	stop order	9	50,736.09
Sell	1.3829	04.22.03	Buy	1.3733	04.23.03		10	57,027.50
Sell	1.3720	04.23.03	Buy	1.3735	04.23.03		10	55,935.40
Buy	1.3748	04.23.03	Sell	1.3738	04.23.03		10	55,208.03
Sell	1.3744	04.23.03	Buy	1.3765	04.23.03		9	53,682.42
Sell	1.3743	04.24.03	Buy	1.3626	04.25.03		11	61,410.29
Buy	1.3636	04.25.03	Sell	1.3609	04.25.03		10	59,232.23
Sell	1.3611	04.25.03	Buy	1.3650	04.28.03	stop order	10	56,375.09
Buy	1.3644	04.28.03	Sell	1.3676	04.29.03	stop order	10	58,720.44
Sell	1.3689	04.29.03	Buy	1.3620	04.30.03		11	63,786.52
Sell	1.3598	04.30.03	Buy	1.3569	05.01.03		12	66,137.47

*NB: The prices of opening and closing the positions provided in this report may slightly differ from the prices you have in your charts. This difference is explained by the fact that during real trades it not always possible to get the rate, coinciding with the price of closing or opening the successive hour. The rates can also differ, depending upon the market maker, which provides you with its services.*

*The conditions set up by a brokerage firm can also result in different way of profit/loss calculation.*

*This notwithstanding the difference should not be more than 1-2%.*

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## **COMING NEXT WEEK!**

**In the next issue of WWW TRADING SYSTEM eZine you will find information about:**

- 1. Forex Sectors. (continuation)**
- 2. WWW TRADING SYSTEM COMMENTS:  
Small Market Movements.**
- 3. May 2003 Trading Results of WWW TRADING SYSTEM.**

Sincerely yours,

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